

July 18, 2016

# Natural Gas Trends

## Highlights

### Gas Demand from power approaches new high

If Mother Nature delivers on the current near-term temperature outlook, US natural gas power burn could be poised to set an all-time high near the end of this month, according to the most recent 14-day forecast from Platts Analytics' Bentek Energy. As of Monday, July 12, the forecast was projecting US power burn to rise and peak at 39.7 Bcf on July 26, fueled by average US temperatures currently forecast to reach 83 degrees Fahrenheit. The Platts Bentek short-term forecast projects power burn out 14 days based on historical gas flows to power plants in Platts Analytic's power burn sample, and a third-party weather forecast from Customer Weather.

### May break 40 Bcf

The previous record occurred on July 29, 2015 when US average temperatures came in at 81 degrees. If temperatures are at the forecast level of 83 degrees on July 26, power burn could break the 40 Bcf mark. If the short-term forecast materializes, July power burn would average 34.7 Bcf/d, which would be roughly a 3% increase from last year, as well as Platts Bentek's official forecast for the month of 33.6 Bcf/d.

So far this month power burn has averaged 1.7 Bcf/d, or 6%, above 2015 levels for July, with the increases most pronounced in the Midwest, Southeast and Rockies. Despite generators benefiting from low fuel prices, as well as the US having more installed gas capacity than ever before, burn has still come in slightly lower than 2012 levels, which was the last time demand was at comparative highs.

### Midwest leads the surge

From an absolute demand perspective, the Midcon market is the region that is expected to post the most significant gains compared to prior expectations and where burn was at last year. If the forecast holds, power burn for the region would average 29% over Platts Bentek's July forecast and 54% over July 2015 burn which averaged just under 2.1 Bcf/d. Demand in the region is seeing a boost as a result of coal retirements and sustained coal-to-gas switching. In 2015, the region retired 2.7 GW of coal capacity. Since the start of the year, another 3.8 GW of capacity has gone offline. On the fuel-switching front, data from Platts Bentek suggest that the region has led the nation for switching, with year-to-date switching estimated at 544 MMcf/d, a 23% increase over last year.

Comparatively, all other regions have actually seen lower switching levels due to reduced potential from retirements, while the Midwest also has had its share of retirements; as a region it only made up 17% of total coal retirements in 2015.

Source: Platts Gas Daily

## Data

- Aug. 2016 Natural Gas Futures Contract (as of July 15) NYMEX at Henry Hub closed at \$2.756 per million British thermal units (MMBtu)
- August 2016 Light, Sweet Crude Oil Futures Contract WTI (as of July 15), closed at \$45.95 per U.S. oil barrel (Bbl.) or approximately \$7.92 per MMBtu

### Last week: Texas warmer than normal last week

For the week beginning 7/10/16 and ending 7/16/16, cooling degree days (CDDs) were higher than normal (warmer) on average for the week and for the year to date for most of the Texas cities shown.

Source: [www.cpc.ncep.noaa.gov](http://www.cpc.ncep.noaa.gov)

COOLING DEGREE DAYS (CDD)				
City or Region	Total CDD for week ending 7/16/16	*Week CDD + / - from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	145	54	775	29%
Austin	162	28	1386	2%
DFW	148	8	1339	17%
El Paso	182	56	1387	23%
Houston	165	39	1473	9%
SAT	165	29	1517	7%
Texas**	147	20	1368	11%
U.S.**	83	10	628	17%

\* A minus (-) value is cooler than normal; a plus (+) value is warmer than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which HDDs are calculated. \*\* State and U.S. degree days are population-weighted by NOAA.

-999 = Normal Less Than 100 or Ratio Incalculable

### Last week: U.S. natural gas storage at 3,243 Bcf

For the week ending 7/08/2016 working gas in storage increased from 3,179 Bcf to 3,243 Bcf. This represents an increase of 64 Bcf from the previous week. Stocks were 507 Bcf higher than last year at this time and 586 Bcf above the 5 year average of 2,657 Bcf.

Source: <http://ir.eia.gov/ngs/ngs.html>

U.S. WORKING GAS IN STORAGE				
Region	Week ending 7/08/16	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	678	654	24	10.1%
Midwest	785	764	21	24.4%
Mountain	208	202	6	35.1%
Pacific	319	313	6	3.9%
South Central	1,253	1,246	7	32.0%
Lower 48 Total	3,243	3,179	64	22.1%

Lower 48 states, underground storage, units in billion cubic feet (Bcf)

**Last week: U.S. gas rig count up for the week**

The gas rig count for the U.S. was up one for the week and down 129 when compared to twelve months ago. The total rig count for the U.S. was up seven compared to last week and down 410 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

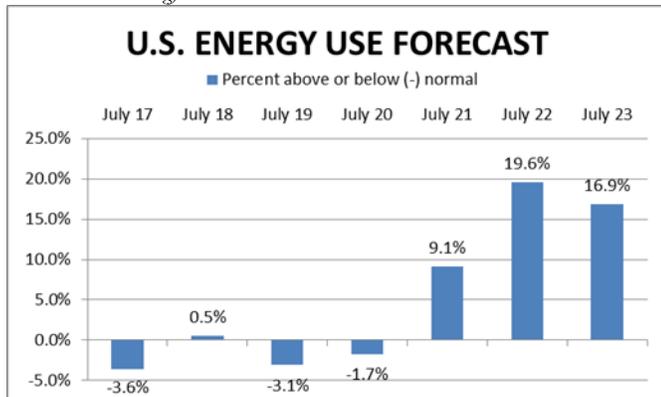
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 7/15/2016	+/- prior week	Year ago	+/- year ago
Texas	202	1	366	-164
U.S. gas	89	1	218	-129
U.S. oil	357	6	638	-281
U.S. total	447	7	857	-410
Canada	95	14	192	-97

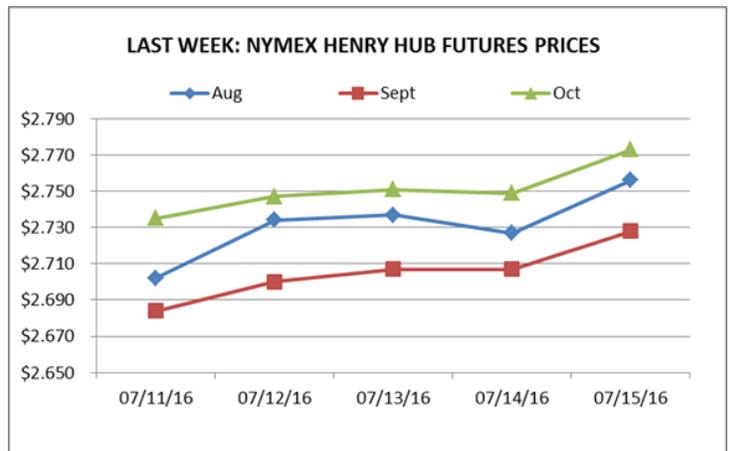
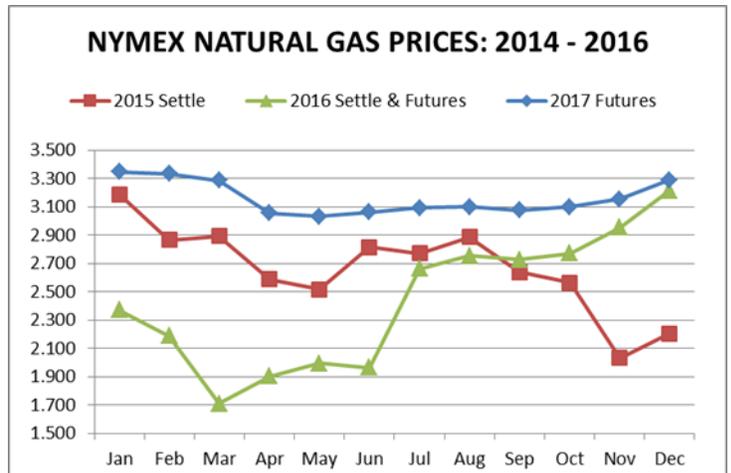
**This week: U.S. energy use varies**

U.S. energy use is predicted to be below average this week, according to the Dominion Energy Index, as shown below. Dominion forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index



2016 prices. Natural gas prices for 2016, shown below in green, are the NYMEX settlement prices for Jan-July and futures prices for the year.



**NATURAL GAS PRICE SUMMARY AS OF 7/15/2016**

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US August futures				
NYMEX	\$2.756	-\$0.045	-\$0.972	\$3.054